# Econ DA

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### Repurposed Novice DA

**The economy is steadily recovering now, but is fragile.**

Rugaber 11/8 - Christopher Rugaber [Economics Reporter, Associated Press], “'A struggle and a journey': Report shows US economy recovering,” *Christian Science Monitor* (Web). Nov. 8, 2021. Accessed Nov. 8, 2021. <<https://www.csmonitor.com/Business/2021/1108/A-struggle-and-a-journey-Report-shows-US-economy-recovering>> AT

America’s employers accelerated their hiring last month, adding a solid 531,000 jobs, the most since July and a sign that the recovery from the pandemic recession is overcoming a virus-induced slowdown.¶ Friday’s report from the labor department also showed that the unemployment rate fell to 4.6% last month from 4.8% in September.¶ That is a comparatively low level though, still well above the pre-pandemic jobless rate of 3.5%. And the job gains in August and September weren’t as weak as initially reported: The government increased its estimate of hiring for those two months by a hefty combined 235,000 jobs.¶ All told, the figures point to an economy that is steadily recovering from the pandemic recession, with healthy consumer spending prompting companies in nearly every industry to add workers. Though the effects of COVID-19 are still causing severe supply shortages, heightening inflation, and keeping many people out of the workforce, employers are finding gradually more success in filling near record-high job postings.¶ “This is the kind of recovery we can get when we are not sidelined by a surge in COVID cases,” said Nick Bunker, director of economic research at the employment website Indeed. “The speed of employment gains has faltered at times this year, but the underlying momentum of the U.S. labor market is quite clear.”¶ The better-than-expected jobs report was welcomed on Wall Street, where investors sent stocks further into record territory. The Dow Jones Industrial Average rose more than 200 points, or roughly 0.6%, in Friday trading. Short-term Treasury yields rose as some investors moved up their expectations for when the Federal Reserve will begin raising interest rates. But longer-term yields dipped amid muted expectations for inflation over the long term.¶ By most barometers, the economic recovery appears solidly on track. Service companies in such areas as retail, banking, and warehousing have reported a sharp jump in sales. Sales of new and existing homes surged last month. And consumer confidence rose in October after three straight declines.¶ At the same time, though, the nation remains 4.2 million jobs short of the number it had before the pandemic flattened the economy in March 2020. The effects of the virus are still discouraging some people from traveling, shopping, eating out, and attending entertainment venues.¶ In October, the pickup in hiring was spread across nearly every major industry, with only government employers reporting a job loss, mostly in education. Shipping and warehousing companies added 54,000 jobs. The battered leisure and hospitality sector, which includes restaurants, bars, hotels, and entertainment venues, gained 164,000. Manufacturers, despite their struggles with supply shortages, added 60,000, the most since June 2020.¶ And employers, who have been competing to fill jobs from a diminished pool of applicants, raised wages at a solid clip: Average hourly pay jumped 4.9% in October compared with a year earlier, up from 4.6% the previous month. Even a gain that strong, though, is barely keeping pace with recent surges in consumer inflation.¶ Those price increases pose a headwind for the economy. Higher costs for food, heating oil, rents, and furniture have burdened millions of families. Prices rose 4.4% in September compared with 12 months earlier, the sharpest such jump in three decades.¶ Among people who are receiving pay raises, some of the biggest beneficiaries are the record-high number of people who have been quitting jobs to take new ones. One of them is Christian Frink, who has begun work as a business analyst at a digital consulting firm. In his new job, Mr. Frink of Ferndale, Michigan, helps business clients determine the technologies they need.¶ Earlier this year, Mr. Frink held a marketing job but left it because, like many people during COVID, he felt burnt out. He then worked for Door Dash during the spring and summer to earn money and searched for new work. Although employers were complaining about a labor shortage, several told him they wouldn’t hire anyone without a college degree. (Mr. Frink attended college but didn’t graduate.)¶ This past summer, Mr. Frink took coding classes at Tech Elevator, a boot camp, and then landed his new position. Now, he’s earning 35% more than in his previous job and says he’s “blown away” that he already has health care coverage and doesn’t have to wait months to become eligible.¶ Yet it isn’t only job-switchers who are receiving pay raises. Chad Leibundguth, a regional director in Tampa for the Robert Half staffing agency, said the job market is the strongest for workers he has seen in his 22-year career. Before the pandemic, he said, you could fill a customer service job in Florida for $14 an hour.¶ “Nowadays,” he said, “you’ve got to be closer to $20 an hour, because people have options.”¶ Job prospects are brightening even for people who have been out of work for prolonged periods. The number of long-term unemployed – people who have been jobless for six months or more – has fallen sharply in recent months, to 2.3 million in October from 4.2 million in April. That’s still double the pre-recession total. But it’s an encouraging sign because employers are typically wary of hiring people who haven’t held jobs for an extended time.¶ At the same time, disparities in the job market have persisted. The Black unemployment rate was unchanged in October at 7.9%, for example, while for white workers, it fell to 4% from 4.2%. The Latino jobless rate dropped to 5.9% from 6.3%.¶ And though white-collar jobs in professional services like information technology, engineering, and architecture are nearly back to their pre-pandemic employment levels, leisure and hospitality still has 1.4 million fewer jobs.¶ Hari Ravichandran, CEO of digital security provider Aura in Boston, says his 800-person company has 140 positions open, mostly in software development.¶ Mr. Ravichandran is willing to hire remote workers; 170 of his staffers have never regularly worked in any of the company’s buildings. Still, hiring remains as tough as he’s ever experienced.¶ One disappointing note in Friday’s report is that the workforce – the number of people either working or looking for a job – was unchanged in October. That suggested that the reopening of schools in September, the waning of the virus, and the expiration of a $300-a-week federal unemployment supplement have yet to coax many people off the sidelines of the job market in large numbers.¶ Drawing many people back into the workforce after recessions is typically a prolonged process. There are now 7.4 million people officially out of work – just 1.7 million more than in February 2020, before the pandemic struck the economy. Yet millions more who lost jobs during the recession have given up their job hunts, and employers might have to raise pay and benefits to draw them back in, said Aaron Sojourner, a labor economist at the University of Minnesota.¶ Even so, some companies still can’t find enough workers. Many parents, particularly mothers, haven’t returned to the workforce after having left jobs during the pandemic to care for children or other relatives. Yet there was evidence of a small rebound last month: The proportion of women who were either working or looking for work rose after two months of declines.

#### Strikes cause widespread economic harm - GM strikes prove.

John McElroy, 2019, Strikes Hurt Everybody.Wards Auto Industry News, October 25, https://www.wardsauto.com/ideaxchange/strikes-hurt-everybody

But strikes don’t just hurt the people walking the picket lines or the company they’re striking against. They hurt suppliers, car dealers and the communities located near the plants. The Anderson Economic Group estimates that 75,000 workers at supplier companies were temporarily laid off because of the GM strike. Unlike UAW picketers, those supplier workers won’t get any strike pay or an $11,000 contract signing bonus. No, most of them lost close to a month’s worth of wages, which must be financially devastating for them. Suppliers also lost a lot of money. So now they’re cutting budgets and delaying capital investments to make up for the lost revenue, which is a further drag on the economy. According to CAR, the communities and states where GM’s plants are located collectively lost a couple of hundred million dollars in payroll and tax revenu**e**. Some economists warn that if the strike were prolonged it could knock the state of Michigan – home to GM and the UAW – into a recession. That prompted the governor of Michigan, Gretchen Whitmer, to call GM CEO Mary Barra and UAW leaders and urge them to settle as fast as possible.

**Strikes now trigger food shortages, undermine health care and threaten the economy.**

Shannon Pettypiece, 10-24, 21, Biden on the sidelines of 'Striketober,' with economy in the balance, NBC News, https://www.nbcnews.com/politics/white-house/biden-sidelines-striketober-economy-balance-n1282094

But President Biden faces a different dynamic from candidate Biden, because strikes risk adding to labor shortages and supply chain disruptions that are already driving up prices as the global economy reels from pandemic strains. While the strikes could benefit workers by driving up wages in the long term, the near-term impact of persistent or growing work stoppages could include worst-case scenarios like food shortages or lack of access to hospitals. "This will come at an economic cost to employers and therefore the economy, and I think that may be why Biden has gone a little silent," said Ariel Avgar, an associate professor of labor relations, law and history at Cornell University. "It is tricky for him. On the one hand, he is on the record supporting unions and their ability to use collective action. On the other hand, the point of strikes is to extract an economic price for employers unwilling to negotiate in a way the union feels is appropriate."

#### Economic downturns devastate people’s lives.

EPI ’09 – Economic Policy Institute, “Economic Scarring: The long-term impacts of the recession,” Economic Policy Institute (Web). Briefing Paper #243. Sept. 30, 2009. Accessed Nov. 8, 2021. <https://www.epi.org/publication/bp243/> AT

Economic recessions are often portrayed as short-term events. However, as a substantial body of economic literature shows, the consequences of high unemployment, falling incomes, and reduced economic activity can have lasting consequences. For example, job loss and falling incomes can force families to delay or forgo a college education for their children. Frozen credit markets and depressed consumer spending can stop the creation of otherwise vibrant small businesses. Larger companies may delay or reduce spending on R&D.¶ In each of these cases, an economic recession can lead to “scarring”—that is, long-lasting damage to individuals’ economic situations and the economy more broadly. This report examines some of the evidence demonstrating the long-run consequences of recessions. Findings include:¶ Educational achievement: Unemployment and income losses can reduce educational achievement by threatening early childhood nutrition; reducing families’ abilities to provide a supportive learning environment (including adequate health care, summer activities, and stable housing); and by forcing a delay or abandonment of college plans.¶ Opportunity: Recession-induced job and income losses can have lasting consequences on individuals and families. The increase in poverty that will occur as a result of the recession, for example, will have lasting consequences for kids, and will impose long-lasting costs on the economy.¶ Private investment: Total non-residential investment is down by 20% from peak levels through the second quarter of 2009. The reduction in investment will lead to reduced production capacity for years to come. Furthermore, since technology is often embedded in new capital equipment, the investment slowdown can also be expected to reduce the adoption of new innovations.¶ Entrepreneurial activity and business formation: New and small businesses are often at the forefront of technological advancement. With the credit crunch and the reduction in consumer demand, small businesses are seeing a double squeeze. For example, in 2008, 43,500 businesses filed for bankruptcy, up from 28,300 businesses in 2007 and more than double the 19,700 filings in 2006. Only 21 active firms had an initial public offering in 2008, down from an average of 163 in the four years prior.¶ There is also substantial evidence that economic outcomes are passed across generations. As such, economic hardships for parents will mean more economic hurdles for their children. While it is often said that deficits can cause transfers of wealth from future generations of taxpayers to the present, this cost must also be compared with the economic consequences of recessions that are also passed to future generations.¶ This analysis also suggests that efforts to stimulate the economy can be very effective over both the short- and long-run. Using a simple illustrative accounting framework, it is shown that an economic stimulus can lead to a short-run boost in output that outweighs the additional interest costs of the associated debt increase. This is especially true over a short horizon.¶ A recession, therefore, should not be thought of as a one-time event that stresses individuals and families for a couple of years. Rather, economic downturns will impact the future prospects of all family members, including children, and will have consequences for years to come.

#### Economic decline causes nuclear war – collapses faith in deterrence

Tønnesson, 15—Research Professor, Peace Research Institute Oslo; Leader of East Asia Peace program, Uppsala University (Stein, “Deterrence, interdependence and Sino–US peace,” International Area Studies Review, Vol. 18, No. 3, p. 297-311, dml)

Several recent works on China and Sino–US relations have made substantial contributions to the current understanding of how and under what circumstances a combination of nuclear deterrence and economic interdependence may reduce the risk of war between major powers. At least four conclusions can be drawn from the review above: first, those who say that interdependence may both inhibit and drive conflict are right. Interdependence raises the cost of conflict for all sides but asymmetrical or unbalanced dependencies and negative trade expectations may generate tensions leading to trade wars among inter-dependent states that in turn increase the risk of military conflict (Copeland, 2015: 1, 14, 437; Roach, 2014). The risk may increase if one of the interdependent countries is governed by an inward-looking socio-economic coalition (Solingen, 2015); second, the risk of war between China and the US should not just be analysed bilaterally but include their allies and partners. Third party countries could drag China or the US into confrontation; third, in this context it is of some comfort that the three main economic powers in Northeast Asia (China, Japan and South Korea) are all deeply integrated economically through production networks within a global system of trade and finance (Ravenhill, 2014; Yoshimatsu, 2014: 576); and fourth, decisions for war and peace are taken by very few people, who act on the basis of their future expectations. International relations theory must be supplemented by foreign policy analysis in order to assess the value attributed by national decision-makers to economic development and their assessments of risks and opportunities. If leaders on either side of the Atlantic begin to seriously fear or anticipate their own nation’s decline then they may blame this on external dependence, appeal to anti-foreign sentiments, contemplate the use of force to gain respect or credibility, adopt protectionist policies, and ultimately refuse to be deterred by either nuclear arms or prospects of socioeconomic calamities. Such a dangerous shift could happen abruptly, i.e. under the instigation of actions by a third party – or against a third party.Yet as long as there is both nuclear deterrence and interdependence, the tensions in East Asia are unlikely to escalate to war. As Chan (2013) says, all states in the region are aware that they cannot count on support from either China or the US if they make provocative moves. The greatest risk is not that a territorial dispute leads to war under present circumstances but that changes in the world economy alter those circumstances in ways that render inter-state peace more precarious. If China and the US fail to rebalance their financial and trading relations (Roach, 2014) then a trade war could result, interrupting transnational production networks, provoking social distress, and exacerbating nationalist emotions. This could have unforeseen consequences in the field of security, with nuclear deterrence remaining the only factor to protect the world from Armageddon, and unreliably so. Deterrence could lose its credibility: one of the two great powers might gamble that the other yield in a cyber-war or conventional limited war, or third party countries might engage in conflict with each other, with a view to obliging Washington or Beijing to intervene.

The best way to enhance global peace is no doubt to multiply the factors protecting it: build a Pacific security community by topping up economic interdependence with political rapprochement and trust, institutionalized cooperation, and shared international norms. Yet even without such accomplishments, the combination of deterrence and economic interdependence may be enough to prevent war among the major powers. Because the leaders of nuclear armed nations are fearful of getting into a situation where peace relies uniquely on nuclear deterrence, and because they know that their adversaries have the same fear, they may accept the risks entailed by depending economically on others. And then there will be neither trade wars nor shooting wars, just disputes and diplomacy.

### Big One

#### Growth is surging.

Halloran ’9-14 [Michael; 2021; M.B.A. from Carnegie Mellon University, former aerospace research engineer, Equity Strategist; Janney, “Despite Potential Headwinds, Key Labor Market Indicators Bode Well for the Economy,” https://www.janney.com/latest-articles-commentary/all-insights/insights/2021/09/14/despite-potential-headwinds-key-labor-market-indicators-bode-well-for-the-economy]

However, we remain encouraged by the recovery that has been unfolding since the economy began reopening. We continue to see improvement in important cyclical sectors of the economy while consumers are historically healthy and still have pent-up demand. Business confidence has rebounded with strong corporate profits that should support further capital spending and hiring (there are now more job openings than there are unemployed people by a record amount).

We expect to see further improvement in the international backdrop, supported by unprecedented fiscal and monetary stimulus and accelerating rates of vaccination. Although the impact of the Delta wave is still being felt, recent evidence confirms the effectiveness of vaccines in limiting deaths and hospitalizations. With the pace of vaccination now picking up in the areas most impacted by this wave—Asia and Australia—the case for fading headwinds leading to improving economic growth later this year remains positive.

The signals from financial markets themselves remain positive. Despite consolidating last week, stocks remain near record highs while the 10-year Treasury remains well above the lows of earlier this summer when concerns about Delta first emerged.

#### These factors support our view of a durable economic recovery from the pandemic that should continue supporting stock prices. A healthy labor market is a critical element for a sustainable recovery that supports profit growth and last week’s news from the labor market remains

#### COVID creates an economic brink---recovery is strong now because of effective monetary policy, but we’ve hit the zero-lower bound.

Christopher Rugaber 21. Associated Press. “Federal Reserve keeps key interest rate near zero, signals COVID-19 economic risks receding.” https://www.chicagotribune.com/business/ct-biz-fed-interest-rates-economy-20210428-bumyc3ynpza6ri4ygsntmdsmya-story.html.

WASHINGTON — The Federal Reserve is keeping its ultra-low interest rate policies in place, a sign that it wants to see more evidence of a strengthening economic recovery before it would consider easing its support.

In a statement Wednesday, the Fed expressed a brighter outlook, saying the economy has improved along with the job market. And while the policymakers noted that inflation has risen, they ascribed the increase to temporary factors.

The Fed also signaled its belief that the pandemic’s threat to the economy has diminished, a significant point given Chair Jerome Powell’s long-stated view that the recovery depends on the virus being brought under control. Last month, the Fed had cautioned that the virus posed “considerable risks to the economic outlook.” On Wednesday, it said only that “risks to the economic outlook remain” because of the pandemic.

The central bank left its benchmark short-term rate near zero, where it’s been since the pandemic erupted nearly a year ago, to help keep loan rates down to encourage borrowing and spending. It also said in a statement after its latest policy meeting that it would keep buying $120 billion in bonds each month to try to keep longer-term borrowing rates low.

The U.S. economy has been posting unexpectedly strong gains in recent weeks, with barometers of hiring, spending and manufacturing all surging. Most economists say they detect the early stages of what could be a robust and sustained recovery, with coronavirus case counts declining, vaccinations rising and Americans spending their stimulus-boosted savings.

#### Strikes hurt critical core industries that is necessary for economic growth

John McElroy, 2019, Strikes Hurt Everybody.Wards Auto Industry News, October 25, https://www.wardsauto.com/ideaxchange/strikes-hurt-everybody

This creates a **poisonous relationship** between the company and its workforce. Many GM hourly workers don’t identify as GM employees. They identify as UAW members. And they see the union as the source of their jobs, not the company. It’s an unhealthy dynamic that puts GM at a disadvantage to non-union automakers in the U.S. like Honda and Toyota, where workers take pride in the company they work for and the products they make. Attacking the company in the media also **drives away customers**. Who wants to buy a shiny new car from a company that’s accused of underpaying its workers and treating them unfairly? Data from the Center for Automotive Research (CAR) in Ann Arbor, MI, show that **GM loses market share during strikes and never gets it back**. GM lost two percentage points during the 1998 strike, which in today’s market would represent **a loss of 340,000 sales**. Because GM reports sales on a quarterly basis we’ll only find out at the end of December if it lost market share from this strike. UAW members say one of their greatest concerns is job security. But causing a company to lose market share is a sure-fire path to **more plant closings and layoffs**. Even so, unions are incredibly important for boosting wages and benefits for working-class people. GM’s UAW-represented workers earn considerably more than their non-union counterparts, about $26,000 more per worker, per year, in total compensation. Without a union they never would have achieved that. Strikes are a powerful weapon for unions. They usually are the only way they can get management to accede to their demands. If not for the power of collective bargaining and the threat of a strike, management would largely ignore union demands. If you took away that threat, management would pay its workers peanuts. Just ask the Mexican line workers who are paid $1.50 an hour to make $50,000 BMWs. But strikes don’t just hurt the people walking the picket lines or the company they’re striking against. They hurt **suppliers, car dealers and the communities located near the plants.** The Anderson Economic Group estimates that 75,000 workers at supplier companies were temporarily laid off because of the GM strike. Unlike UAW picketers, those supplier workers won’t get any strike pay or an $11,000 contract signing bonus. No, most of them lost close to a month’s worth of wages, which must be financially devastating for them. GM’s suppliers also lost a lot of money. So now they’re cutting budgets and delaying capital investments to make up for the lost revenue, which is a further drag on the economy. According to CAR, the communities and states where GM’s plants are located collectively lost a couple of hundred million dollars in payroll and tax revenue. Some economists warn that if the strike were prolonged it could knock the state of Michigan – home to GM and the UAW – **into a recession.** That prompted the governor of Michigan, Gretchen Whitmer, to call GM CEO Mary Barra and UAW leaders and urge them to settle as fast as possible. So, while the UAW managed to get a nice raise for its members, the strike left a path of destruction in its wake. That’s not fair to the innocent bystanders who will never regain what they lost. John McElroyI’m not sure how this will ever be resolved. I understand the need for collective bargaining and the threat of a strike. But there’s got to be a better way to get workers a raise without torching the countryside.

#### Strikes create a stigmatization effect over labor and consumption that devastates the economy

Tenza 20, Mlungisi. "The effects of violent strikes on the economy of a developing country: a case of South Africa." Obiter 41.3 (2020): 519-537. (Senior Lecturer, University of KwaZulu-Natal)

When South Africa obtained democracy in 1994, there was a dream of a better country with a new vision for industrial relations.5 However, the number of violent strikes that have bedevilled this country in recent years seems to have shattered-down the aspirations of a better South Africa. South Africa recorded 114 strikes in 2013 and 88 strikes in 2014, which cost the country about **R6.1 billion** according to the Department of Labour.6 The impact of these strikes has been hugely felt by the mining sector, particularly the platinum industry. The biggest strike took place in the platinum sector where about 70 000 mineworkers’ downed tools for better wages. Three major platinum producers (Impala, Anglo American and Lonmin Platinum Mines) were affected. The strike started on 23 January 2014 and ended on 25 June 2014. Business Day reported that “the five-month-long strike in the platinum sector pushed the economy to the brink of recession”. 7 This strike was closely followed by a four-week strike in the metal and engineering sector. All these strikes (and those not mentioned here) were characterised with violence accompanied by damage to property, intimidation, assault and sometimes the killing of people. Statistics from the metal and engineering sector showed that about 246 cases of intimidation were reported, 50 violent incidents occurred, and 85 cases of vandalism were recorded.8 Large-scale unemployment, soaring poverty levels and the dramatic income inequality that characterise the South African labour market provide a broad explanation for strike violence.9 While participating in a strike, workers’ stress levels leave them feeling frustrated at their seeming powerlessness, which in turn provokes further violent behaviour.10 These strikes are not only violent but **take long to resolve.** Generally, a lengthy strike has a **negative effect on employment, reduces business confidence and increases the risk of economic stagflation**. In addition, such strikes have a major setback on the growth of the economy and investment opportunities. It is common knowledge that consumer spending is directly linked to economic growth. At the same time, if the economy is not showing signs of growth, employment opportunities are shed, and poverty becomes the end result. The economy of South Africa is in need of rapid growth to enable it to deal with the high levels of unemployment and resultant poverty. One of the measures that may boost the country’s economic growth is by attracting potential investors to invest in the country. However, this might be difficult as investors would want to invest in a country where there is a likelihood of getting returns for their investments. The wish of getting returns for investment may not materialise if the labour environment **is not fertile** for such investments as a result of, for example, unstable labour relations. Therefore, investors may be reluctant to invest where there is an unstable or fragile labour relations environment. 3 THE COMMISSION OF VIOLENCE DURING A STRIKE AND CONSEQUENCES The Constitution guarantees every worker the right to join a trade union, participate in the activities and programmes of a trade union, and to strike. 11 The Constitution grants these rights to a “worker” as an individual.12 However, the right to strike and any other conduct in contemplation or furtherance of a strike such as a picket13 can only be exercised by workers acting collectively.14 The right to strike and participation in the activities of a trade union were given more effect through the enactment of the Labour Relations Act 66 of 199515 (LRA). The main purpose of the LRA is to “advance economic development, social justice, labour peace and the democratisation of the workplace”. 16 The advancement of social justice means that the exercise of the right to strike must advance the interests of workers and at the same time workers must refrain from any conduct that can affect those who are not on strike as well members of society. Even though the right to strike and the right to participate in the activities of a trade union that often flow from a strike17 are guaranteed in the Constitution and specifically regulated by the LRA, it sometimes happens that the right to strike is exercised for purposes not intended by the Constitution and the LRA, generally. 18 For example, it was not the intention of the Constitutional Assembly and the legislature that violence should be used during strikes or pickets. As the Constitution provides, pickets are meant to be peaceful. 19 Contrary to section 17 of the Constitution, the conduct of workers participating in a strike or picket has changed in recent years with workers trying to emphasise their grievances by causing disharmony and chaos in public. A media report by the South African Institute of Race Relations pointed out that between the years 1999 and 2012 there were 181 strike-related deaths, 313 injuries and 3,058 people were arrested for public violence associated with strikes.20 The question is whether employers succumb easily to workers’ demands if a strike is accompanied by violence? In response to this question, one worker remarked as follows: “[T]here is no sweet strike, there is no Christian strike … A strike is a strike. [Y]ou want to get back what belongs to you ... you won’t win a strike with a Bible. You do not wear high heels and carry an umbrella and say ‘1992 was under apartheid, 2007 is under ANC’. You won’t win a strike like that.” 21 The use of violence during industrial action affects not only the strikers or picketers, the employer and his or her business but it also affects innocent members of the public, non-striking employees, the environment and the economy at large. In addition, striking workers visit non-striking workers’ homes, often at night, threaten them and in some cases, assault or even murder workers who are acting as replacement labour. 22 This points to the fact that for many workers and their families’ living conditions remain unsafe and vulnerable to damage due to violence. In Security Services Employers Organisation v SA Transport & Allied Workers Union (SATAWU),23 it was reported that about 20 people were thrown out of moving trains in the Gauteng province; most of them were security guards who were not on strike and who were believed to be targeted by their striking colleagues. Two of them died, while others were admitted to hospitals with serious injuries.24 In SA Chemical Catering & Allied Workers Union v Check One (Pty) Ltd,25 striking employees were carrying various weapons ranging from sticks, pipes, planks and bottles. One of the strikers Mr Nqoko was alleged to have threatened to cut the throats of those employees who had been brought from other branches of the employer’s business to help in the branch where employees were on strike. Such conduct was held not to be in line with good conduct of striking.26 These examples from case law show that South Africa is facing a problem that is affecting not only the industrial relations’ sector but also the economy at large. For example, in 2012, during a strike by workers employed by Lonmin in Marikana, the then-new union Association of Mine & Construction Workers Union (AMCU) wanted to exert its presence after it appeared that many workers were not happy with the way the majority union, National Union of Mine Workers (NUM), handled negotiations with the employer (Lonmin Mine). AMCU went on an unprotected strike which was violent and resulted in the loss of lives, damage to property and negative economic consequences including a weakened currency, reduced global investment, declining productivity, and increase unemployment in the affected sectors.27 Further, the unreasonably long time it takes for strikes to get resolved in the Republic has a negative effect on the business of the employer, the economy and employment. 3 1 Effects of violent and long strikes on the economy Generally, South Africa’s economy is on a downward scale. First, it fails to create employment opportunities for its people. The recent statistics on unemployment levels indicate that unemployment has increased from 26.5% to 27.2%. 28 The most prominent strike which nearly brought the platinum industries to its knees was the strike convened by AMCU in 2014. The strike started on 23 January 2014 and ended on 24 June 2014. It affected the three big platinum producers in the Republic, which are the Anglo American Platinum, Lonmin Plc and Impala Platinum. It was the longest strike since the dawn of democracy in 1994. As a result of this strike, the platinum industries lost billions of rands.29 According to the report by Economic Research Southern Africa, the platinum group metals industry is South Africa’s second-largest export earner behind gold and contributes just over 2% of the country’s Gross Domestic Product (GDP).30 The overall metal ores in the mining industry which include platinum sells about 70% of its output to the export market while sales to local manufacturers of basic metals, fabricated metal products and various other metal equipment and machinery make up to 20%. 31 The research indicates that the overall impact of the strike in 2014 was driven by a reduction in productive capital in the mining sector, accompanied by a decrease in labour available to the economy. This resulted in a sharp increase in the price of the output by 5.8% with a **GDP declined by 0.72 and 0.78%**.32

#### Economic decline causes nuclear war – collapses faith in deterrence

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Several recent works on China and Sino–US relations have made substantial contributions to the current understanding of how and under what circumstances a combination of nuclear deterrence and economic interdependence may reduce the risk of war between major powers. At least four conclusions can be drawn from the review above: first, those who say that interdependence may both inhibit and drive conflict are right. Interdependence raises the cost of conflict for all sides but asymmetrical or unbalanced dependencies and negative trade expectations may generate tensions leading to trade wars among inter-dependent states that in turn increase the risk of military conflict (Copeland, 2015: 1, 14, 437; Roach, 2014). The risk may increase if one of the interdependent countries is governed by an inward-looking socio-economic coalition (Solingen, 2015); second, the risk of war between China and the US should not just be analysed bilaterally but include their allies and partners. Third party countries could drag China or the US into confrontation; third, in this context it is of some comfort that the three main economic powers in Northeast Asia (China, Japan and South Korea) are all deeply integrated economically through production networks within a global system of trade and finance (Ravenhill, 2014; Yoshimatsu, 2014: 576); and fourth, decisions for war and peace are taken by very few people, who act on the basis of their future expectations. International relations theory must be supplemented by foreign policy analysis in order to assess the value attributed by national decision-makers to economic development and their assessments of risks and opportunities. If leaders on either side of the Atlantic begin to seriously fear or anticipate their own nation’s decline then they may blame this on external dependence, appeal to anti-foreign sentiments, contemplate the use of force to gain respect or credibility, adopt protectionist policies, and ultimately refuse to be deterred by either nuclear arms or prospects of socioeconomic calamities. Such a dangerous shift could happen abruptly, i.e. under the instigation of actions by a third party – or against a third party.Yet as long as there is both nuclear deterrence and interdependence, the tensions in East Asia are unlikely to escalate to war. As Chan (2013) says, all states in the region are aware that they cannot count on support from either China or the US if they make provocative moves. The greatest risk is not that a territorial dispute leads to war under present circumstances but that changes in the world economy alter those circumstances in ways that render inter-state peace more precarious. If China and the US fail to rebalance their financial and trading relations (Roach, 2014) then a trade war could result, interrupting transnational production networks, provoking social distress, and exacerbating nationalist emotions. This could have unforeseen consequences in the field of security, with nuclear deterrence remaining the only factor to protect the world from Armageddon, and unreliably so. Deterrence could lose its credibility: one of the two great powers might gamble that the other yield in a cyber-war or conventional limited war, or third party countries might engage in conflict with each other, with a view to obliging Washington or Beijing to intervene.

The best way to enhance global peace is no doubt to multiply the factors protecting it: build a Pacific security community by topping up economic interdependence with political rapprochement and trust, institutionalized cooperation, and shared international norms. Yet even without such accomplishments, the combination of deterrence and economic interdependence may be enough to prevent war among the major powers. Because the leaders of nuclear armed nations are fearful of getting into a situation where peace relies uniquely on nuclear deterrence, and because they know that their adversaries have the same fear, they may accept the risks entailed by depending economically on others. And then there will be neither trade wars nor shooting wars, just disputes and diplomacy.

#### Economic decline drastically increases poverty – turns case. Pettinger ‘20

Tejvan Pettinger [studied PPE at LMH, Oxford University and works as an economics teacher and writer], 3-13-2020, "Impact of economic recession," Economics Help, <https://www.economicshelp.org/blog/5618/economics/negative-impact-of-economic-recession/> //marlborough jh

[A recession](http://econ.economicshelp.org/2008/09/definition-of-recession.html) (fall in national income) will typically be characterised by high unemployment, falling average incomes, increased inequality and higher government borrowing. The impact of a recession depends on how long it lasts and the depth of the fall in output. ¶The main costs of a recession will be: ¶Unemployment ¶Fall in income – shorter working week. ¶Rise in poverty ¶Fall in asset prices (e.g. fall in house prices/stock market) ¶Increased inequality and an increase in relative poverty ¶Higher government borrowing (less tax revenue) ¶Permanently lost output. ¶Firms go out of business. ¶Who is most affected by a recession? ¶The worst affected will be those who lose their job or see their hours/self-employed income dramatically fall. ¶It also depends on the type of recession. The 2009 recession hit the financial sector the hardest. Many highly-paid ‘white-collar’ workers lost their jobs. Banks saw large-scale losses and falls in profit. It hit the housing sector very hard. The 2020 recession will be different. It will particularly affect low-income workers in the leisure and tourism sector – which will be devastated by the Coronavirus. It will also depend on whether the worker can work from home (writer) or has a job in the physical economy which will suffer more. (e.g. selling coffee). The effect will also depend on the extent of government support and whether people are entitled to benefits/rent relief. ¶Unemployment ¶A fall in economic output will cause a rise in unemployment. This is because: ¶Some firms will go bankrupt meaning workers will lose their jobs. ¶Firms will lay off workers to try and reduce costs. ¶Firms will cut back on hiring new workers. ¶In the 2009 recession, unemployment in the UK rose to over 2.6 million, though given the depth of the recession, you might have expected it to be even more (e.g. in the 1980s, unemployment rose to over 3 million). However, in Europe, many countries saw a catastrophic rise in unemployment. With rates of over 20% in countries such as Greece, Spain and Portugal. ¶The unemployment figures may under-estimate the true level of unemployment. For example, in a recession the self-employed may see a dramatic fall in income, but still not be classed as unemployed. ¶UK unemployment showing very clearly the recession of 1981, 1992 and 2009. ¶In the great depression, where there was a rapid fall in GDP, unemployment rose from 0% to 25% within three years. ¶Lower wages ¶In a recession, firms will also try to reduce costs by keeping wages low. Some workers (especially temporary workers without contracts may see wage cuts) This was a key feature of the 2008-12 recession, also aggravated by rising costs of living (e.g. higher taxes/oil prices) In 2020, at least cost-push inflation will be low – helped by falling oil prices and commodities. ¶Negative real wage growth 2008-14 ¶Another cause of lower wages is under-employment. Some workers may keep their job, but see their hours cut. Rather than working full time, they become part-time workers (e.g. 20 hours a week). This means that the rise in unemployment may be muted, but many workers see substantial falls in effective income. ¶The self-employed are particularly vulnerable to recession. In an economic downturn, the self-employed may see a cash-flow shortage very quickly and struggle to make ends meet. ¶Higher government borrowing ¶Governments will see a fall in tax revenue as a result of a recession. ¶Firms make less profit, therefore the government receive lower corporation tax ¶Workers receive lower-income, therefore government receive lower income tax ¶Lower house prices and fewer housing transaction lead to lower stamp duty revenue. ¶Lower expenditure, leading to lower VAT payments. ¶Government spending ¶Rising government spending on welfare payments, such as unemployment benefits, housing benefit and income support. ¶Because of falling tax revenues and rising welfare payments (automatic fiscal stabilisers), a recession tends to cause an increase in the budget deficit and total government debt. ¶US budget deficit rose sharply after the recession of 2008/09. Note, the forecast for 2021 is wrong. Borrowing in 2021 in the US will surge because of the impact of Coronavirus and impending recession. ¶Many countries saw a sharp rise in the budget deficit post-2008 credit crunch because they relied on tax revenues from property and the finance sector. The fall in the property market hit tax revenues harder. VAT receipts tend to be less cyclical. ¶A budget deficit may also increase because the government decide to pursue expansionary fiscal policy and attempt to stimulate economic activity. FOr example, in 2010, the UK government cut VAT. ¶Falling asset prices ¶Oil prices dropped sharply in 2008/09 and 2020. ¶In a global recession, we tend to get a fall in oil prices because demand falls. The 2020 Coronavirus caused a sharp drop in oil prices and also a dramatic fall in share prices. It is an indication of the extent to which analysts expect the recession to hurt. Falling asset prices contribute to the downward spiral in the economy. Falling house prices create a negative wealth effect, reducing confidence and causing further falls in spending. We are likely to see a drop in house prices in 2020. ¶Bond Yields ¶Usually, in a recession, government bond yields fall. This is because in a recession, saving tends to rise and people demand the security of bonds rather than stock market. In 2020, US bond yields have fallen to near-record levels. US 2 year bond yield is at 0.46%. ¶It is possible bond yields may rise if markets fear the recession will cause very serious problems for the government and liquidity shortage. For example, Italian bond yields have started to rise in 2020 because of real concerns about the collapse in the Italian economy.  A lot will depend on the reaction of the ECB and whether they will create money to provide liquidity. ¶Lost Output ¶A recession leads to lower investment and therefore can damage the long-term productive capacity of the economy. If the recession is short, this lost output may be quite limited – economies can bounce back. But, in a prolonged recession, this lost output becomes greater. The 2009 recession caused a permanent loss of output because the recession was very deep and fundamental weaknesses. ¶See [Impact of recession on trend rate of economic growth](https://www.economicshelp.org/blog/5452/economics/impact-of-recession-on-trend-growth-rate/) ¶Impact on Workers ¶Unemployment can leave lasting negative impacts. Firstly, unemployment is very stressful and can damage the person’s morale, and even health. Areas of high unemployment tend to experience more social problems. High unemployment can be a factor in creating social instability, leading to problems such as riots and vandalism. Mass unemployment can threaten the social fabric of the countries. ¶The unemployed lose the opportunity to gain skills and on-the-job training. Long-term unemployment can make it harder for the worker to gain a job in the future; it can even cause people to give up and drop out of the labour market completely.¶Unemployment and recession can also cause a rise in social/health problems such as depression and suicide. ¶Impact on firms ¶Firms will see a fall in demand and lower profits. Some firms may start to make a loss and go bankrupt. This may be due to fundamental inefficiency but also firms may go out of business purely because of the cyclical factors and an inability to borrow sufficient firms to see the end of the recession. A recession will hit some firms more than others. In a recession, there is a large fall in demand for luxury goods (foreign holidays) top-end sports cars and so these firms will be more vulnerable. ¶If a company has large reserves then it will be able to ride out the recession even if it makes a temporary loss. A recession may cause a firm to pursue price wars and cost-cutting. ¶Price Wars – Firms often seek to hang onto market share. This leads to aggressive price cuts, which further reduce the profitability of business. ¶Cost Cutting – The impact of declining profitability means companies will be forced to look closely at reducing costs and maybe closing unprofitable areas of the business. Companies may be forced to lay off staff in an effort to reduce costs ¶Inequality In a recession, inequality and relative poverty tend to worsen. This is because unemployment is a big cause of relative poverty (unemployed see fall in incomes) Are there any potential positive effects of a recession? ¶The collapse in Chinese manufacturing in early 2020 led to a sharp fall in air pollution and will have some effect in reducing deaths related to air pollution. ¶Rather ironically, some recessions have shown to increase life expectancy. During the Great Depression, mortality rates in the US fell amongst areas of high unemployment. The reasoning was people spent less on alcohol and cigarettes which damage health. Also, there is a fall in traffic accidents. (NPR – [Great Recession, led to lower mortality rates](https://www.npr.org/2018/01/09/576669311/hidden-brain-great-recession-deaths?t=1584092376398))